CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 18, 2000

H.J. Res. 103

Disapproving the extension of nondiscriminatory treatment to the products of the People's Republic of China

As ordered reported adversely by the House Committee on Ways and Means on July 13, 2000.

SUMMARY

Under the Trade Act of 1974, nondiscriminatory trade relations may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. However, the President may waive this prohibition on an annual basis if he certifies that doing so would promote freedom of emigration in that country. On June 2, 2000, President Clinton transmitted to Congress his intention to waive the prohibition with respect to the People's Republic of China for a year, beginning July 3, 2000. H.J. Res. 103 would disapprove the President's extension of this waiver. CBO estimates that denying nondiscriminatory tariff treatment to the People's Republic of China would increase revenues by $520 million over the fiscal year 2000-2001 period. Since adopting this resolution would affect receipts, pay-as-you-go procedures would apply.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. H.J. Res. 103 would impose a private-sector mandate on importers of Chinese goods that would be subject to higher tariffs. CBO estimates that the increased costs in tariffs to importers would total $425 million in fiscal year 2001, exceeding the threshold for private-sector mandates ($109 million in 2000, adjusted annually for inflation) established in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.J. Res. 103 is shown in the following table.

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN REVENUES						
Estimated Revenues	95	425	0	0	0	0

BASIS OF ESTIMATE

Denial of nondiscriminatory trade relations to the People's Republic of China would substantially increase the tariff rates imposed on its exports to the United States. CBO assumes that these higher tariff rates would increase U.S. prices and would decrease U.S. demand of goods imported from the People's Republic of China. CBO estimates that imports from the People's Republic of China would decline by more than enough to offset the higher rates, so that the U.S. customs duties collections on Chinese imports would fall. However, CBO estimates that some of that drop in trade with the People's Republic of China would be offset by an increase in imports from other countries with normal trade relations status. The increase in revenues from this effect would outweigh the reduction in revenues from the People's Republic of China. Assuming an effective date of August 1, 2000, CBO estimates that revenues would increase by $520 million over the fiscal year 2000-2001 period. The People's Republic has received normal trade relations status through presidential proclamation on an annual basis beginning in 1980 and CBO assumes there would be a resumption of normal trade relations with the People's Republic of China after July 3, 2001.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	not applicable										
Changes in receipts	95	425	0	0	0	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.J. Res. 103 would impose a private-sector mandate on importers of Chinese goods that would be subject to higher tariffs. CBO estimates that the increased costs in tariffs to importers would total $425 million in fiscal year 2001, exceeding the threshold for private-sector mandates ($109 million in 2000, adjusted annually for inflation) established in UMRA. U.S. consumers of Chinese goods would also bear indirect costs if they chose to substitute goods from other foreign or domestically produced goods for Chinese products.

PREVIOUS ESTIMATE

On July 12, 1999, CBO transmitted an estimate for H.J. Res. 57, disapproving the extension of the waiver authority contained in section 402(c) with respect to the People's Republic of China, as ordered reported adversely by the House Committee on Ways and Means. CBO estimated that the resolution would increase revenues by $507 million in 2000.

On May 22, 2000, CBO prepared estimates for H.R. 4444 and S. 2277, bills to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the People's Republic of China, as ordered reported by the House Committee on Ways and Means and the Senate Committee on Finance, respectively. CBO concluded that enactment of these bills would likely increase revenues because they would allow the United States to trade with China under the World Trade Organization (WTO). Under that trading regime, imports of textiles and apparel from China would increase because they would be subject to less restrictive trade quotas. CBO found it had no basis for estimating the revenue impact of granting the President such authority.

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